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C O N F I D E N T I A L SECTION 01 OF 02 MANILA 003163

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SUBJECT: BUSINESS GROUPS JOIN CALLS FOR ARROYO'S RESIGNATION

REF: MANILA 3061

Classified By: Classified by Shawn Waddoups, Acting Economic
Counselor. Reason: 1.4(b) and (d).

11. (SBU) Summary: Business leaders in Manila continue to call for a Constitutionally consistent resolution to the current political situation, but now have added their voices to the chorus calling for Arroyo to leave office. On July 8, three key business groups, including the highly influential Makati Business Club (MBC), issued a statement urging President Macapagal Arroyo (PGMA) to step down. This reflected an abrupt change in posture for the business community which, until then, had been relatively steadfast in its support for her. In press statements calling for her now to relinquish power, major business groups stressed the importance of strictly following the constitution. End Summary.

Landing could be hard or soft

12. (C) Charge met with former Foreign Secretary Roberto "Bobby" Romulo, an influential business leader and advisor to PGMA, on the afternoon of July 7. Romulo said that he and other business leaders "must admit their disenchantment" with PGMA and said that this weekend is the crucial moment for her presidency. He predicted either a "hard landing" in which Arroyo would be forced out of office or a "soft landing" where she would be allowed "gracefully" to leave office. He expressed optimism that either resolution would be both constitutional and acceptable to business leaders. He and his associates had hoped they would not have to face either scenario, but said that it is now clear she will have to leave eventually. Thus, they favor a transition that will allow her to exit with minimum disruption to on-going reforms. He was concerned, however, that something "untoward" will happen before either scenario had time to unfold, and expressed worry about leftist forces trying to capitalize on the current instability. He emphasized that the country must avoid another "People Power" at all costs.

Makati Business Club, Finex call for PGMA's resignation

13. (U) The Makati Business Club (MBC), comprised of the most powerful and influential business people in the country, and the Financial Executives Institute of the Philippines (Finex) on July 8 jointly called on PGMA to relinquish her post for the sake of national unity and to enable the country to move forward. They said the resignation earlier in the day of "key Cabinet members representing the core of the President's social and economic team" was "a grave loss to the government." Concluding that "the President's ability to effectively manage the affairs of state has been seriously impaired," and that "national interest" did not appear to lie above Arroyo's "personal, political interest," they asked PGMA to "relinquish her position as President," stressing that "all moves for change must take place firmly within the context of the Constitution." The MBC's members formed one of the key constituencies propelling PGMA to power in 2001.

MAP joins the fray

14. (U) The Management Association of the Philippines (MAP), composed of over 700 small, medium and large companies, also called for PGMA to step down on July 8. Noting that the country faced "a potential fiscal crisis that has been exacerbated by the Supreme Court's recent issuance of a Temporary Restraining Order" (TRO) on the VAT law as well as corruption, MAP said "the

events of the past weeks ... seriously impaired" PGMA's ability to address the problems of the country. Like the MBC/Finex statement, the MAP statement also referred to the "resignations today of the most respected members of her cabinet." Arguing that "the longer the President stays in office under a cloud of doubt and mistrust, the greater the damage to the economy... (a)nd the greater the vulnerability to forces seeking extra-constitutional means to grab power," MAP said "she must now ... relinquish the Presidency to her Constitutionally-mandated successor."

15. (C) MAP President Simon Paterno told econoff on July 8, just after the release of the MAP statement, that the morning press conference in which DOF Secretary Purisima and nine other key cabinet members resigned en masse and called for PGMA to step down caused the business groups to do an about-face and fall in line with the increasing number of individuals and groups calling for her resignation. Paterno explained that the growing tensions have created too many opportunities for extra-constitutional political adventurism, noting that the last thing the country needs is a coup d'etat. He said that although the business community is concerned about constitutional successor Vice President De Castro's lack of political experience and economic expertise, they consider a De Castro presidency preferable to any extra-constitutional change of power.

16. (C) Paterno made it clear that the business community had a great deal of respect for the skills and integrity of Purisima, as well as Bureau of Internal Revenue Commissioner Guillermo Payrano, and that these key economic advisors' loss of confidence in PGMA had a major impact on turning the sentiments of the general business community more sharply negative towards her. He added that the Supreme Court's TRO against implementation of the E-VAT law (reftel) "had (PGMA's) fingerprints all over it." This, he said, showed that she valued her political survival over the interests of the nation. As news of the business community's call for PGMA to resign flashed across the television screen beneath former President Cory Aquino as Aquino began her televised statement at 3 p.m., Paterno noted that "Cory is the queen of this country." When Aquino called for PGMA to step down, Paterno said "it's all over for her (PGMA)."

17. (SBU) Comment: The elite, rich and powerful members of the MBC and MAP were a core constituency supporting PGMA's ascendancy to the Presidency during EDSA II in 2001 and again in the 2004 election. Their unequivocal call for her to step down, sandwiched between the morning's en masse resignations by her most widely respected economic advisors and this afternoon's televised plea by former President Cory Aquino for PGMA to resign, is a powerful blow to her chances for survival. Most of her closest supporters were relying on this "sensible middle class" to continue to lend her legitimacy. With this gone, it will be increasingly difficult for her to hold on.
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